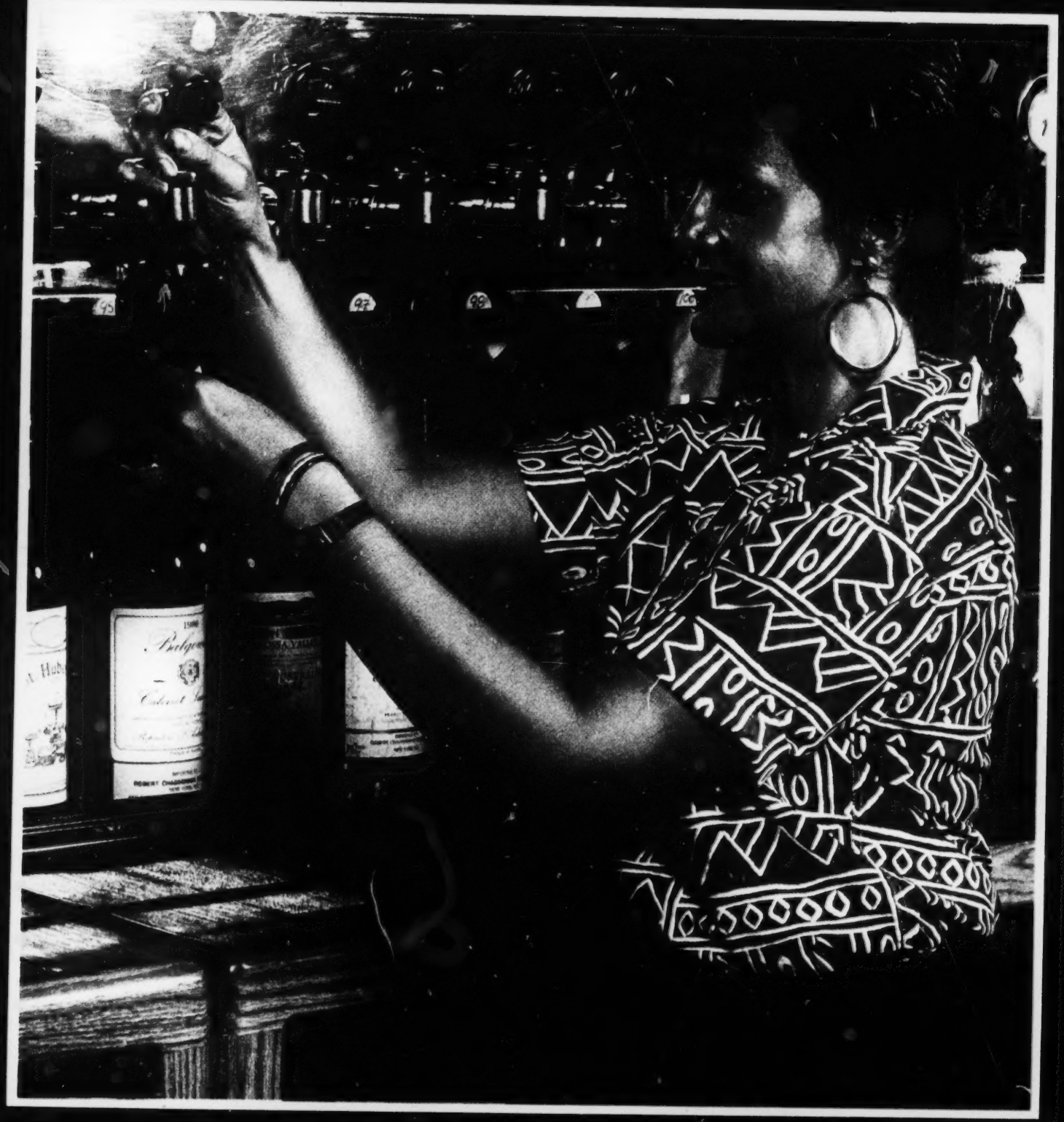
NRA STUDY SURPRISE:

BAR MANAGEMENT



OPERATORS

PRODUCTS

EQUIPMENT

TRENDS

A snapshot of today's beer drinker

The latest National Restaurant Association study shows that men order and drink bottled and draft beer more than women. But the gap is narrowing when it comes to light brews. The NRA survey of 1,200 consumers also concludes that beer is still the strong preference of younger age-groups. Nearly 8-in-10 (79 percent) of today's 18-24 year-

How we drink beer in restaurants today

Type	Total	Men	Women
Bottles	68%	81%	53%
Draft/glass	62	73	48
Domestic/reg	62	76	46
Light	50	52	48
Import/reg	47	56	37
Draft/pitcher	40	49	30

Source: National Restaurant Association Beverage Preferences study, 1987

olds drink bottled beer vs. 69 percent of 25-44 year-olds and 60 percent of those over 45. Younger drinkers also quaff nearly twice as much imported beer—at a 67 percent rate among 18-24 year-olds compared to 35 percent by ages 45 and up. Another tip: Only 1-in-4 (24 percent) older patrons order pitchers vs. 53 percent of all 18-24 year-olds.

Sizing up the market for canned beverages

Year	Beer (in millions of cans)	Soft drink
1982	31.7	26.2
1983	33.1	28.3
1984	34.4	30.4
1985	35.7	34.5
1986	36.1	36.8

Source: *Beverage World*

Last year, canned soft drink sales outpaced beer volume for the first time. Overall, canned beer and soft drink volume jumped 3.8 percent to 72.9 million cans, according to *Beverage World*. Beer-by-the-can sales inched up 1.2 percent and soft drink cans shot up 6.6 percent for the year.

Color the drinking trend . . . darker now

Americans may be leaning back again toward darker, fuller-bodied beverages—more red wine, amber and dark beers and maybe even darker liquors. Tom Pirko, president of Bevmark, a Los Angeles consulting firm, suggests dark beers will be at the top of the growth charts, in fact. Guinness dark, for example, could become the chic beverage of the day, he predicts. So far, Guinness sales are up 12 percent over 1986 while overall beer volume is rising at about 2 percent.

A new king of the hill in wine cooler sales?

Looks that way. According to the latest research by New York-based National Brand Scanning, Seagram's Wine Coolers have taken the No. 1 spot away from Gallo's Bartles & Jaymes in the $1.7 million wine cooler category. Wine cooler sales jumped 72 percent last year to 72.4 million cases, according to Impact research data. Seagram outpaced the competition with a 133 percent gain to 9.3 million cases vs. B&J's 127 percent gain to 17 million cases. Credit Seagram's $25 million ad campaign and Bruce Willis' offbeat TV and print image aimed at the older 25-49 year-olds for even bigger market share gains this year, says executive vice president for marketing for Seagram Beverage Co., Mark Taxel. The unofficial tally: Seagram in first place by a nose with a projected 31 percent market share, followed closely by Bartles & Jaymes and Brown-Forman's California Cooler.

How customers rate brands and prices

Category	Brand loyal	Fair price
Soft drinks	74%	60%
Beer	77	62
Wine	*	55
Mixed drinks	56	42

Source: National Restaurant Association
*Majority request by type, not brand

The majority of Americans are loyal to the beer and soft drink brands they buy and think they're fairly priced, according to the latest National Restaurant Association survey, *Beverage Preferences*, released in June. But, it seems, they're not nearly as high on wine and mixed-drink pricing policies.

This study proves it: The rich drink more

Young & Rubicam, the ad agency people, confirmed it in their study of 2,000 Americans recently. They found: 36 million, or 1-of-5 of us, qualify as "affluents," defined by family incomes of $50,000 or more yearly. And they consume alcohol at a 20 to 30 percent higher rate than the general population, drinking beer on a par with the national population and consume diet sodas at nearly twice the current norm.

TRENDS

Wine consumption— how do we compare?

Last year Americans consumed 1.94 gallons of wine per capita vs. 24.14 gallons of beer. As wine drinkers, we're still novices compared to other nations. In Portugal, per-capita wine consumption is 23 gallons, compared to 22.4 gallons in Italy, 21.1 gallons by the French and 12.7 gallons in Spain, according to Impact research. Australians, on the other hand, drink approximately 3 gallons of wine a year.

Marking up your wine-by-glass prices

Most industry experts say the profit for house wine should be roughly two to three times cost. New York City's well-known Aurora restaurant serves six bottles to by-the-glass customers on a silver tray, as an "extra touch of class," says general manager Ray Wellington. "Our diners currently can choose a top quality Sancerre; an '85 Côtes du Rhone; an '84 Simi Cabernet Sauvignon; or '85 Sonoma-Cutret Chardonnay at $4 to $6.50 a glass." He gets four glasses to a bottle and considers the markup reasonable. "We always offer a choice of two reds, two whites, a Sauternes and a champagne. And we change them frequently," he adds. Aurora flatly refuses to sell well-brand wines for by-the-glass customers.

The top 10 brands in the world today

Rank	Company	1986 sales (in $ thousands)
1	Coca-Cola	$7,295,000
2	Anheuser-Busch	6,390,000
3	Philip Morris*	3,929,000
4	PepsiCo	3,583,400
5	The Seagram Co.	3,344,820
6	Guinness PLC	3,266,520
7	Grand Metro. PLC	2,787,000
8	Coca-Cola Enterprises**	1,951,008
9	Whitbread & Co. PLC	1,769,202
10	Stroh Brewery Co.	1,500,000

*Includes Miller, Lowenbrau and Meister Brau
**Includes Dr Pepper, A&W, Canada Dry and Sunkist

In the global battles for consumer spending across all beverage categories, four of the top 10 brands marketed and distributed in the U.S. today come from overseas suppliers, according to the latest study by *Beverage World*.

Beverage ad spending still on the way up

Last year the nation's top beverage makers spent more than the year before and increased advertising outlays at a higher rate than most of the top marketers of consumer products in the nation, according to a study by *AdWeek*. PepsiCo led the pack by pushing ad budgets from $546.4 million to $688.7 million for a 26 percent gain, while rival Coca-Cola increased its outlays just 7.1 percent from $605.6 million to $648.7 million. In the beer wars, Anheuser-Busch spent 23.2 percent more, up from $315 million to $388 million, while Adolph Coors boosted ad spending 9.1 percent, to $180 million from $165 million the year before.

Decorated drinks: The Yuppies are at it again

The hot fad of summer '87 in New York City bars and lounges was the novelty decorated drink, with such exotic names as "The Blue Whale," "Pink Elephant"

and "Mermaid." They sold in the $3.50-to-$6 range and became the rage of Yuppies as "collectibles," bar operators around the city report. Drinks decked out with plastic and inflatable umbrellas, miniature Gumbys, whales and mermaids have two advantages, say those who promoted them: (1) They're good conversation starters and (2) they've become fashion items with Yuppie women . . . as hair accessories. Nobody's predicting a national trend . . . but decorated novelty drinks are expected to make a comeback in New York City bars again this summer and spread to other northern cities.

California: No. 1 soft drink market

California is the leading soft drink market in the nation with sales of nearly $1 billion. No. 2 in soda consumption is on the other side of the country: New York, with $850 million sales, according to Beverage Marketing Corp. of New York.

How beverages grow

	Annual growth rate	National market share
Soft drinks	6.5%	24.9%
Beer	0.2	13.0
Milk	1.6	11.0
Fruit drinks	2.3	7.5
Bottled water	13.5	2.8
Wine	4.2	3.1
Spirits	– 3.0	1.0
Wine coolers	185.0	0.2

Source: Beverage Marketing Corp. 1985 data

NRA INDUSTRY STUDY FINDS: SPIRITS NOSING UP AGAIN

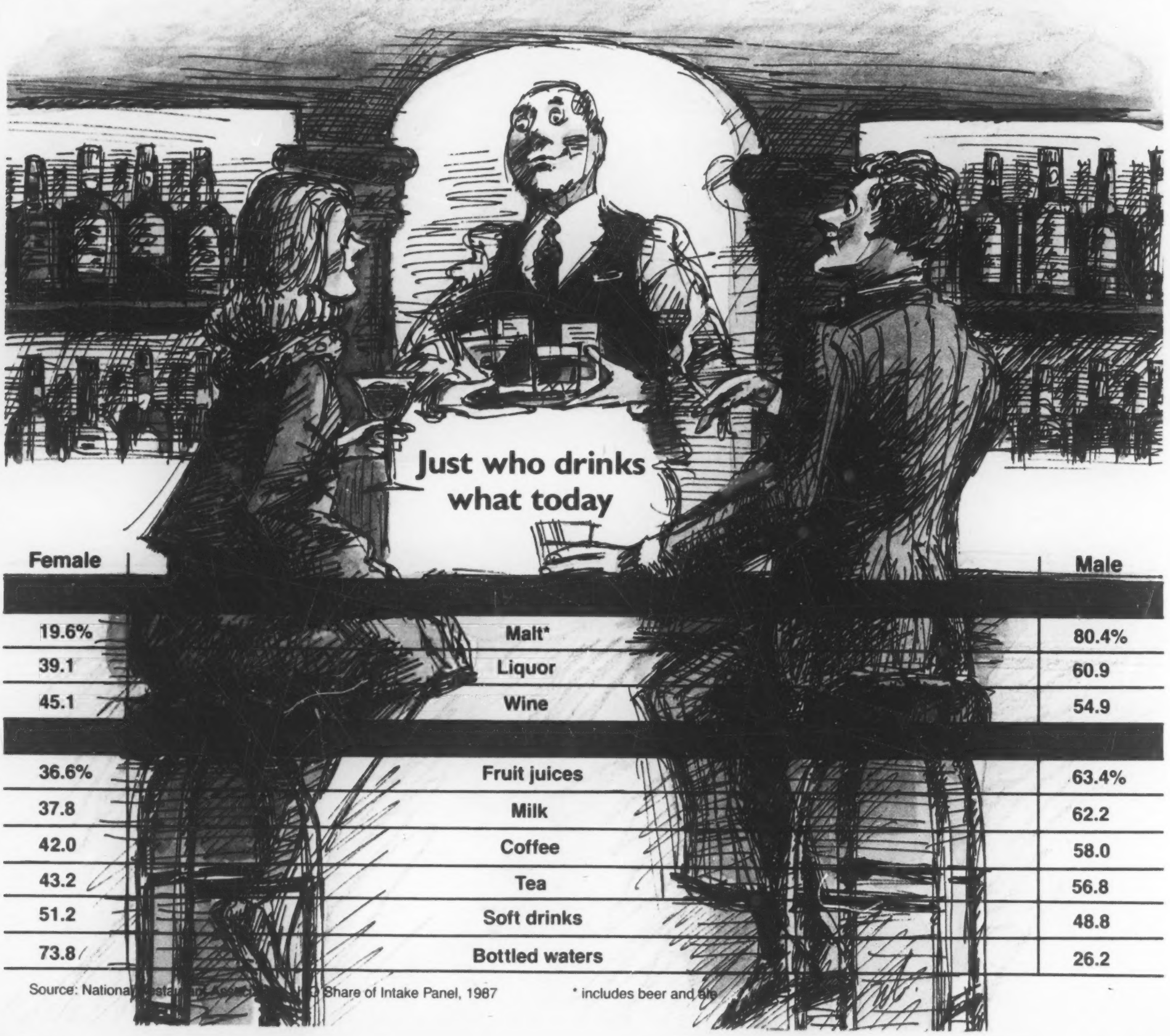
Survey shows a 5 percent pickup for alcoholic beverages at table service restaurants, 1984-1986 . . . and spots vital new clues in drinking patterns.

There are growing signs around the industry that the decline in alcoholic beverage consumption in the U.S. has finally bottomed out.

According to a new survey released by the National Restaurant Association this summer, alcoholic beverage consumption actually *increased* at table service restaurants by 5 percent from 1984 to 1986—compared to a 20 percent decrease from 1980 to 1984.

The second National Restaurant Association Beverage Preferences study, conducted by Market Facts, also found:

- Nearly three of every four customers order soft drinks at fast-food outlets today (74 percent). Soft drinks also dominate table-service restaurant business with a 44 percent share, followed by coffee (37 percent), tea (29 percent) and alcoholic beverages (28 percent).
- Men consume more than 50 percent of all volume in eight of 10 beverage categories: 80 percent of all beer and malts beverages, 63 percent of fruit juices and 61 percent of liquor. Women account for 74 percent of all bottled-water consumption and edge out men 51 percent to 49 percent in soft drinks.
- Since 1980, the sheer number of customers who order bottled water has quadrupled in restaurants, although total volume still measures

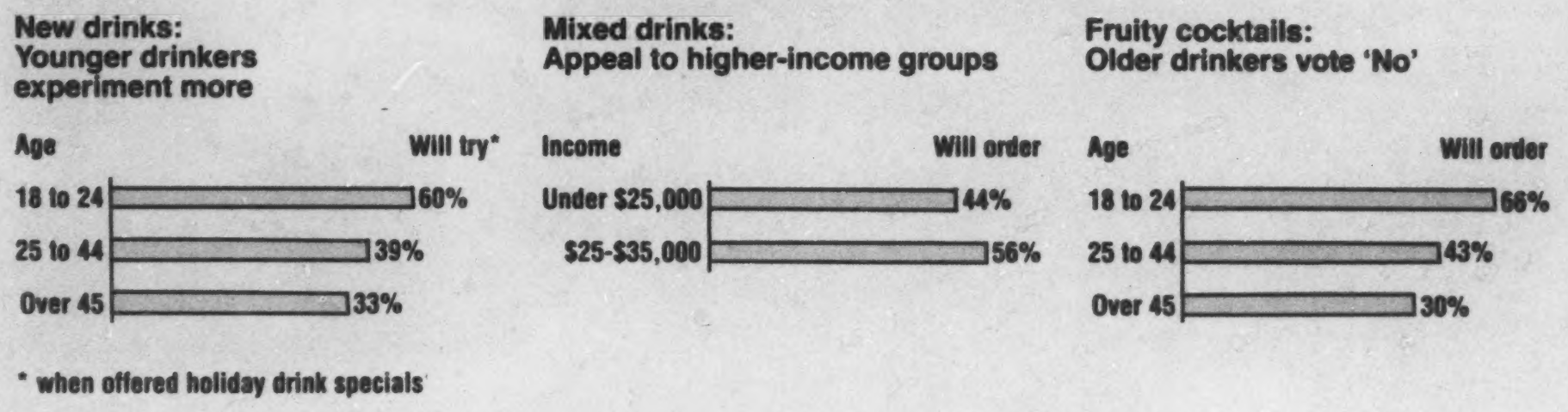


Just who drinks what today

Female		Male
19.6%	Malt*	80.4%
39.1	Liquor	60.9
45.1	Wine	54.9
36.6%	Fruit juices	63.4%
37.8	Milk	62.2
42.0	Coffee	58.0
43.2	Tea	56.8
51.2	Soft drinks	48.8
73.8	Bottled waters	26.2

Source: National Restaurant Association Share of Intake Panel, 1987 * includes beer and ale

Why drinking patterns are changing



Source: National Restaurant Association Beverages Preferences Study, June 1987

less than the 1 percent of all beverages consumed away from home.

• One in five of all restaurant patrons (22 percent) say they would order nonalcoholic cocktails if they're available. But fewer give the nod to nonalcoholic wine (17 percent) or beer (13 percent), according to NRA findings. Women are twice as likely to call for nonalcoholic beverages. Yet customers 45 and older are less apt to buy nonalcoholic drinks of any kind.

Last year, Americans drank 1.9 million gallons of beverages away from home, the NRA survey estimates. Fast-food restaurants accounted for more than 31 percent of total gallonage; table service restaurants, 52 percent; bars and clubs, the remaining 17 percent.

Overall, Americans drank 1.5 percent more of all types of beverages away from home since 1980, NRA research indicates. Over that span, restaurants, bars and clubs increased beverage output 3 percent, while fast-food usage dipped 1.5 percent.

Drinking patterns for alcoholic beverages were mixed and spotty over the past seven years, as expected. The NRA found that beer volume dropped 27 percent overall since 1980, but came back with a 10 percent gain from 1984 to 1986. Wine dipped 6 percent between 1980 and 1982, but has been holding at or near 1982 levels for the past four years.

A major reason behind the general fall-off of liquor over this period, NRA studies suggest, is that fewer men over 35 and fewer women of all ages are ordering liquor in restaurants. That trend now seems to have leveled off and stabilized.

A new clue to changing male drinking habits may be found in their strong performances for fruit juices, some experts point out. As more fruit-flavored alcoholic drinks and mixed concoctions, which use schnapps and liqueurs, gain popularity, men are more inclined to make the switch to sweeter-tasting and citrus mixtures or straight-ups.

The latest NRA study also illustrates the vital importance of measuring customer demographics and preferences to spot taste changes and emerging trend shifts.

As the study shows, the income level of patrons relates directly to how many mixed drinks you'll sell. Tastes are changing, too: Today, according to NRA findings, 38 percent of all diners order after-dinner cocktails. And, new fruity cocktails and mixtures definitely appeal more to younger customers than to older patrons.

Another clear finding is that more than one of every three diners are drinking less when they're out. Thirty-four percent say so, rising to 37 percent in the over 45-year-old category. And their reasons are pretty cut and dried: 38 percent say they just don't enjoy it as much anymore, 20 percent stopped for health reasons and 17 percent because of drunk-driving laws. Twelve percent simply think prices have gotten too high.

Wine-drinking, on the other hand, is still on the rise at restaurants around the nation, according to NRA findings. Nearly 7 of 10 (66 percent) will order by the glass, compared to 50 percent who'll order by the carafe and 45 percent by the bottle.

Study uncovers a market for 'mocktails'

According to the NRA Beverage Preferences Study, 22 percent of all respondents in the sample group say they would order a nonalcoholic cocktail at a restaurant today, if it were to be offered.

"The major market for nonalcoholic cocktails appears to be among 18-to-24-year-olds," the study suggests. And 36 percent of them say they would order "mocktails," nonalcoholic cocktails.

The developing market for mocktails and nonalcoholic wines and beer is the same as it is for alcoholic beverages, NRA points out. But, women are twice as likely to order them as men.

Some tips from NRA focus groups about merchandising nonalcoholic drinks include:

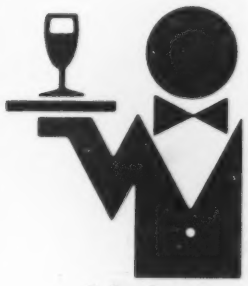
• Make them "indistinguishable" from other alcoholic drinks. Don't use different glasses or put straws in them to set them apart. Your customer wants to blend in, not stand out.

• Price them lower than regular cocktails. Fully 83 percent of those polled, and almost 90 percent of all 18-to-24-year-olds agree.

• Promote them on your bar menu and make sure servers "talk up" nonalcoholic versions of popular cocktails that are available. Promote them on your menu prominently, too. And consider special discounts from time to time.

COGNACS AND BRANDIES ARE REACHING OUT TO THE MASSES

Major chains are expanding selections to stir up after-dinner and late night bar sales. They're pouring hefty profits at $8 to $25 a glass, too.



Over the past five years, fine cognacs and popular brandies have begun to make themselves comfortable in a growing number of chain outlets around the country.

One big reason: America's masses are developing sharper and finer-tuned drinking palates, the experts report.

Another: Major suppliers are targeting major chains like T.G.I. Friday's, Bennigan's, Houlihan's and Steak & Ale with aggressive popular-priced cognac and brandy promotions that promise to deliver extra volume and profits almost overnight.

Just this past summer, Friday's listed a spirit on its menu for the first time . . . cognac. It's served bistro-style, combining a jumbo mug of hot coffee with a sidecar of cognac on a special tray.

Last October the chain sold 68,000 glasses of cognac with the program at an average of $8.50 apiece. "The idea is to educate the consumer that there's more to cultured drinking than just wine by the glass or mixed drinks," says a Friday's spokesman.

"And, these drinks are highly profitable."

As a group, brandies cognacs and armagnacs have been posting steady sales gains, while most alcohol categories are in decline, top operators and suppliers report.

Says Hennessy's Hank Evans: "Last year, we sold 700,000 cases of cognac in the United States. What we really saw recently was a drop-off of the small-sized bottle category in retail stores. But if you take out these sizes, cognac business is really very healthy and robust in the on-premise side of the market."

Volume is climbing fastest in the on-premise market.

Brandy market share* is holding steady against industry downturns . . .

1976	1985	1986
3.9	4.8	4.8

* of all alcoholic beverages in volume
Source: Clark Gavin Associates

. . . and growth figures* to run ahead through the 1990s . . .

1975-80	1980-85	1985-90
+5.9%	+2.4%	+2.4%

* in volume

Total spirits

+0.2%	-1.2%	-1.3%

Source: Impact Databank, 1986

This year, brandy sales should near 20 million gallons, which is just about where they were in 1976 when all spirits volume started to evaporate.

More important, future growth prospects look even better. Most projections expect brandies and cognacs to run ahead of most other alcohol beverage categories over the next two to three years.

Chain outlets, as a result, are learning what fine dining restaurants have known for many years: Once you learn how to step your customer up to the top marks in brandy or cognac, you can rake in a bundle of profit dollars.

"Take cognac," says Hennessy's Evans. "We recommend to our restaurant customers that they offer three different snifters of VSOP and XO at a $13.95 package price. The aim is to encourage testing and tasting by small dinner parties, as a way to top off a meal or a night out together."

And the pricing-up trend is gaining strength, industry sources report. Typically, that means XO cognacs priced at $4 move into the $5 range with ease, XOP priced at $8 slides to a $10 top and cognacs priced at $10 rise to $15.

But, it's critical to know how much give and take there is among different labels and vintages. At Detroit's London Chop House, for example, a glass of Hennessy VS costs $4.50, VSOP is $5.75, XO jumps to $20 and Hennessy Paradiso a whopping $25.50.

Remy Martin VSOP starts at $6.50, Centaure Napoleon at $10.50 and Centaure XO tops off at $25.50.

At the top of the wine list is a Lafite Rothschild at $50.50.

Some bars are selling cognac with aged statements for the first time.

Besides pricing, presentation is another vital ingredient to successfully promoting brandies and cognacs, operators are quick to point out.

"If you want to be class, you must pour cognac into the traditional cognac tasting glass, a small tulip-shaped glass with a short stem that's beveled at the top," says Madelline Triffon, the sommelier at the London Chop House.

Brandy snifters are even more important to properly merchandising the bouquets and perfumes of the drink, experts say.

In a word: You need the right glasses to make an impression as a legitimate server of fine cognacs and brandies today.

Several new developments also bode well for ongoing growth in the brandy/cognac category, according to industry expert Harriet Lembeck in New York.

Among the trends which are currently appearing:

- "Armagnacs are coming on strong as an alternative after-dinner drink," she says. "Recently, they were allowed to be vintage-dated, meaning an older vintage can be priced at $60 to $80 a bottle, similar to some fine cognacs."
- And, there's a mini-trend budding in white alcohol fruit brandies that are chilled and drunk neat, Lembeck adds. They tend to taste "sweet and intense" and offer fatter than normal margins to operators, she says.
- This year, cognacs with aged statements hit the market for the first time, Lembeck reports. Among them, a 20-year-old single-vintage cognac from Prunier. It was launched in the United States in October at a suggested price of $45 a bottle.

Brand/suppliers quick-reference list

BRAND	SUPPLIER
Aristocrat	Heaven Hill
Arrow	Heublein
Asbach Uralt	Asbach
Bardinet	Park Bensiger
Barton	Barton
Buton XO	Paterno
Calvados Boulard	McKesson
Calvados Montgomery	Regal
Calvados Montgommery	Benedictine Marketing
Charme Napolean	Bederal
Cheverny	Beam
Christian Bros.	Christian Bros.
Couquerel Calvados	Sherman
Coronet	Schenley
Coronet VSQ	Berke
Deville	Somerset
Dujardin	Carradale
E&J Brandy	E&J Gallo
Hiram Walker Brandies	Hiram Walker
Jean Robert	Berke
Korbel Brandy	Brown-Forman
Laird's Applejack	Laird
Legenore Brandy	Sazerac
Lejon	ISC
Leroux Brandy	Summit Sales
Marques de Domecq	Domecq
Maxine	Ancient Age
McCormick Brandy	McCormick
Mohawk Flavored Brandies	Mohawk
Montgommery Calvados	Buckingham Wile
Mr. Boston Brandies	Glenmore
Presidente	Domecq
Raynal	Shaw-Ross
RMS California Brandy	Premiere
Rothschild Brandy	Paramount
Royal Stock	Disusa
Stock 84	Disusa
St. Maurice	Potter
St. Remy VSOP	Sherman
Azteca de Oro	Domecq
Don Pedro	Domecq
E.S.T.	Consolidated
Ansac	Heaven Hill
Bisquit	Heublein
Camus	Barton
Chateau de Brive	Deinhard
Cognac Prunier	Deinhard
Cognac Rothschild	Paramount
Comandon	Buckingham Wile
Courvoisier	W.A. Taylor
Delamain	Buckingham Wile
Denis Mounie	Park Benziger
Hennessy	Schieffelin
Lautrec	Consolidated
Marnier Lapostolle	Carillon
Martell	Brown-Forman
Merlin	Shaw-Ross
Mumm VSOP	Seagram (375)
Prince Hubert	Sazerac
Remy Martin	Premiere
Renault Carte Noire	Tower
Royal Montaine	Jacquin
R&B Lanxner	Kedem
Salignac	Maidstone
Brillat Savarin	Asbach
Cles des Ducs	Domecq
Cles des Ducs	Cointreau America
Janneau Armagnac	Sazerac
Larressingle	Kobrand
Marnier Lapostolle	Carillon
Sempe	Benedictine Marketing
Sempe	Regal

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NRN Photo

Andrea Carta, of Scott's Seafoods, serves the homeless at the Central City Hospitality House in San Francisco.

Good cheer: Restaurants rally to feed nation's needy

By Carolyn Walkup

With another holiday season fattening the bank accounts of restaurant operators, more and more of them are giving something back to their communities at a time of increasing need.

From coast to coast, restaurateurs are feeding the growing population of homeless, hungry, and impoverished.

Restaurant-backed City-meals-on-Wheels in New York has grown sixfold since 1981. In Chicago a new program has been launched, in which 140 operators are giving away food. The number of free Thanksgiving meals donated to the needy in San Francisco has jumped to 4,000 from 500 in two years.

"We feel a company has an obligation to put money back into the community where it gets its money," explained Charles Frank, president of Spectrum Foods in San Francisco.

The Physician Task Force on Hunger in America estimates that 20 million Amerians suffer from chronically inadequate nutrition. In San Francisco alone the homeless population has increased 40 percent since 1984, according

(See CHARITY, page 98)

Chi-Chi's targeted in takeover try

Carlyle seeks chain as anchor in multi-concept company

By Don Jeffrey

WASHINGTON — Chi-Chi's Inc. could form the base of a multi-concept restaurant company if the investor group bidding about $210 million for the Mexican dinner house chain succeeds in taking it over.

The sweetened offer from the merchant banker Carlyle Group here comes at a time when Hal Smith, chief executive of the Louisville, Ky., company, appears to be turning the chain around since he joined it more than a year ago.

In addition, the overture represents one of the few signs of life on Wall Street, which is still shaking from the October crash.

In recent weeks deals in-

(See CHI-CHI'S, page 4)

Circle K falls short of fast-food goals

By Charles Bernstein

PALM DESERT, Calif. — In a surprisingly frank talk about the challenges facing convenience stores, Circle K president Robert M. Reade declared here last month that the ideal food-service program would yield "high gross-profit dollars, higher margins with little labor involved, and major traffic-building capabilities."

More IFMA coverage
Daugherty follows Jones
Page 4

But he indicated that Phoenix, Ariz.-based Circle K is falling short of its goals, and he also asserted that "we want to learn from you food-service suppliers. We want you to come to us and educate us."

Reade spoke in a panel discussion at the third

(See CIRCLE K, page 98)

FOOD WATCH

Hilton rolls Olympic menu

LOS ANGELES — Hilton Hotels, one of the first hotel chains to promote fitness cooking, is launching its new Olympic "Training Table" menu at larger, downtown properties.

The seven-item menu, which ties in with Hilton's official sponsorship of the 1988 U.S. Olympic team, emphasizes lighter, nutritious dishes.

The menu includes angel hair pasta with prosciutto, shiitake, tomato, and basil; shrimp salad with snow peas, mushrooms, water chestnuts, and green onions with ginger sesame dressing; salmon fillet with saffron sauce; stir-fried beef or shrimp; and grilled breast of chicken with basil and pine on a red-pepper coulis.

Hilton has also been offering a health-oriented "Fitness First" menu since 1981.

New supplier co-op faces comeback try

By Charles Bernstein

PALM DESERT, Calif. — After losing 70 percent of its distributor members to major distribution companies over the last few years, Chicago-based North American Food-service hopes to rebound through a just-completed merger with Atlanta-based Nifda.

Although the coalescence of the two giant buying groups is

(See COMSOURCE, page 4)

NRN Photo

Co-owners Andrew Silverman, Eric Petterson, Carolyn Effer and Charles Milite in the bait shack at Live Bait.

Live Bait hooks N.Y. with truck stop cuisine

By Paul Frumkin

NEW YORK — You won't find many long-haul truckers braking outside of Live Bait to chow down on the restaurant's rib-stickin' "White Trash/Southeastern Roadhouse" cooking.

And yet restaurateur Andrew Silverman's little taste of Southern truck stop retro-chic in the up-and-coming Flatiron district of Manhattan is hotter than a spark plug.

The 95-seat operation opened in September, and it's been standing room only ever since.

"It's a regular night when 70 or 80 people are standing outside on 23rd Street, waiting to get in," said Silverman, who also owns the Maryland Crab Houses and La Playa in Manhattan as well as Kryton, a nightclub in the northern suburb of Bankaville, N.Y.

Live Bait is averaging about 250 dinner covers per day,

(See LIVE BAIT, page 98)

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NEWS DIGEST

Hard Rock to open new seafood concept

NEW YORK — Hard Rock Cafe Plc., the operator of rock-'n'-roll-themed restaurants in New York and London, is planning to open a new seafood concept in Boston under a joint venture with an unidentified restaurateur from the area.

The prototype is scheduled to open during the first quarter of 1988, according to investment sources.

Hard Rock, which is unrelated to Peter Morton's nightclub chain of the same name, has not revealed the name of its venture partner.

G.D. Ritzy's plans new growth vehicle

COLUMBUS, Ohio — G.D. Ritzy's said it is about to unveil a new restaurant concept that will serve as the future growth vehicle of the struggling burgers-and-ice-cream chain.

"We plan on opening only one of the new prototypes and franchising the rest," said Ritzy's president, William P. Coleman. "We want another vehicle for growth and an additional way of increasing revenue."

Fifty-one-unit Ritzy's, which reported a third-quarter profit of $9,000 on revenues of $2.9 million, also disclosed that it resumed franchising its core concept in October. The chain had ceased signing new licensees while it attempted to position itself as more of a traditional fast feeder.

Lavine joins Mexican chain as president

DALLAS — Chili's founder, Larry Lavine, has joined Tia's as president.

Tia's is a three-unit Mexican restaurant chain based here.

Chuck Haines, Chili's director of operations for nine years, has also joined Tia's management, which already includes Don Gardner, Joel Greer, and J.B. Frailey.

Lavine, who resigned from Chili's several years ago to launch other restaurant ventures, said he and his team plan to build three-year-old Tia's into a national competitor of Chili's and other casual-theme dinner house chains.

Los Angeles passes no-smoking ordinance

LOS ANGELES — The city council here has approved a law requiring restaurants with 50 or more seats to set aside half their service areas for non-smokers.

Mayor Tom Bradley is expected to sign the ordinance, which should take effect by late December.

Los Angeles would be entering the ranks of the more than 100 cities in California and more than 300 in the United States that have enacted laws regulating smoking in restaurants.

Cuomo aides vow fight for N.Y. smoking law

ALBANY, N.Y. — Governor Cuomo's administration has vowed to crusade for statewide no-smoking regulations following the New York Court of Appeals ruling that a controversial ordinance issued by the governor's office was invalid under state law.

The stringent ordinance was issued by the Cuomo administration after the Democrat-controlled state Legislature failed to pass no-smoking measures of its own.

The state's highest court ruled that the law was unconstitutional because the Legislature did not pass it.

Cracker Barrel tests ice cream, pastries

LEBANON, Tenn. — In a bid to boost dessert sales, Cracker Barrel, the 50-unit chain of roadside family restaurants and gift shops, is testing cookies, pastries, and ice cream.

The items will be offered both in the restaurant and in the gift shop for take-out.

Index down 1.4

1.4

NEW YORK — After three weeks of increases, the Nation's Restaurant News Stock Index fell 1.4 points in the week ended Nov. 27 and closed at 153.0.

The Dow Jones Industrial Average of 30 blue chips lost 3.15 points and finished at 1,910.48. Analysts said investors were concerned about the slumping dollar.

Two Pesos was the leading percentage price gainer, rising 43.8 percent, or $1.38, to $5.75. Taco Villa was the second-highest advancer, up 75 cents, or 33.3 percent, to $3. Po Folks was the biggest loser, falling 16.7 percent, or 63 cents, to $1.88. The largest volume surger was Servico. About 167,500 shares were traded, 350 percent above average for the stock.

More financial news, pages 96-97

Chez Panisse's Shere opens take-out business

HEALDSBURG, Calif. — Chez Panisse pastry chef Lindsey Shere and two partners have opened the Downtown Bakery and Creamery in this Sonoma County wine country community.

Shere, a founding partner in Chez Panisse, now divides her time between the landmark Berkeley restaurant and the new take-out business selling baked goods and ice cream. Her partners are daughter Therese Shere and Kathleen Stewart.

Comisars name Peyron to Chester's kitchen

Peyron

MONTGOMERY, Ohio — Alain Peyron has been named chef du cuisine at Chester's Road House, the restaurant in northeastern Cincinnati owned and operated by the Comisar family. Lee and Michael J. Comisar are best known as proprietors of Maisonette in Cincinnati.

A 20-year food-service veteran, Peyron worked nine years at Maisonette before becoming executive chef at Chateau Normandy in Indianapolis. Chester's Road House, opened in 1972, specializes in steaks, fish, and spirits.

ARA adopts line of take-out meals

PHILADELPHIA — In the latest move by a contract feeder into the take-out market, ARA Services has rolled out a line of low-calorie frozen foods to be sold through its various health-care accounts.

The 15-item Light and Right line, which was developed by Baxter Hospital Supply Co., is targeted at both hospital employees and patients.

Canteen Corp., TW Services' contract feeder, has also moved into the take-out market with the introduction of its Pizzelli's Pizza line. Many business-and-industry feeders have also attempted to crack the take-home market, with mixed results.

Pantera's negotiating to sell McCord's chain

ST. LOUIS — Pantera's Corp., parent of the Pantera's and Pizza Inn pizza chains, said it is negotiating a sale of its seven J.T. McCord's specialty dinner houses to an unidentified party.

Pantera's, which acquired Pizza Inn in July for $45 million, said it would use proceeds from the McCord's deal for working capital. Pantera's is required to maintain an undisclosed amount of working capital by its agreement with the two institutions that lent $29 million to finance the Pizza Inn deal.

Compiled from staff and news reports

Special Report: IFMA presidents conference

IFMA's Daugherty seeks non-food members

PALM DESERT, Calif. — Hal Daugherty, the International Foodservice Manufacturers Association's incoming board chairman, pledged here to push for more non-food and equipment supplier members of Chicago-based IFMA.

"This would create a better balance for IFMA," Daugherty declared.

The election of Daugherty, president of Chicago-based food-service equipment distributor Edward Don & Co., as 1988 IFMA chairman was announced at its annual presidents conference. He succeeds Quaker Oats Food Service president Russell Jones.

Walter VanBenthuysen, president of Rochester, N.Y.-based Richardson Foods and chairman of the 1987 presidents conference, moves from a vice chairman to first vice chairman.

IFMA treasurer Alan Plassche, president of General Foods' Food Service division, White Plains, N.Y., and William McLaughlin, president of L.J. Minor, Cleveland, become vice chairmen. Robert Nagel, general manager of Chicago-based Kraft's Food Service Group East, will be treasurer.

Donald Hansen, president of the Staley Foodservice Company, Chicago, was chairman of IFMA's nominating committee.

Comsource combines sources

(Continued from page 1)

an equal one, Nifda ostensibly will be dominant, with 104 distributor company members, as opposed to North American's whittled-down list of 35 members.

Nifda president Shannon Talley will be president, chief executive officer, and chief operating officer of the new combined Comsource Independent Foodservice Cos., which will be based in a new Atlanta headquarters.

But with higher-volume members, North American brings $3.5 billion in sales to the merger while Nifda brings $2.4 billion. North American board chairman Gary Walsh will become chairman of Comsource's board and remain president of Seattle-based Food Services of America, which has been North American's largest member with $500 million in volume.

"Shannon Talley is without a doubt the outstanding executive in the food-service distribution industry," declared North American president Daniel Gescheidle in a special Comsource press conference at Marriott's new Desert Springs Resort here near Palm Springs, Calif. He will remain in Chicago as executive committee chairman of Comsource when it is launched in Atlanta Jan. 1.

Talley emphasized the new company's Comsource name as the ideal "combined source for providing services and specialists in all aspects of food-service distribution. We are integrating the best of both organizations."

Nifda and North American food-service labels as well as North American's Nadco non-food labels will be retained, Talley indicated. Comsource's 139 members will have a combined $5.9 billion in annual volume with more than 200 distribution centers and some 5,000 trucks.

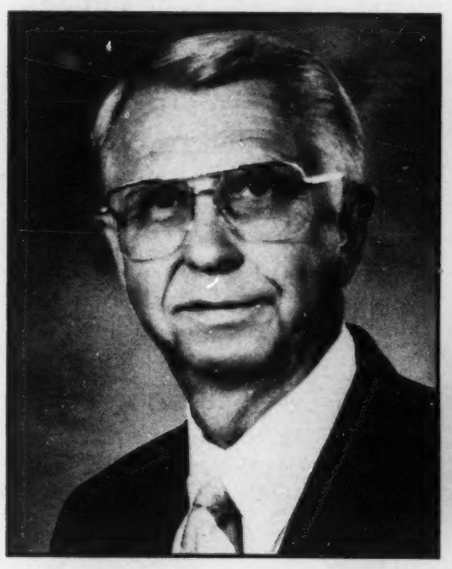
Certainly those more complete arsenals might enable Comsource to dominate over other cooperative distributor buying groups, such as CODE and Frosty Acres. But whether Comsource will gain headway against the Big Five distributors remains to be seen. Those formidable distributors are $3.7 billion-volume Sysco, $2 billion Kraft Foodservice, CFS Continental, Rykoff-Sexton, and PYA/Monarch.

A prime motivation for the merger is North American's desire to stem a continuing erosion of its members, many of which have been acquired by Kraft and other giants. "A merger was doubly difficult with all the independent members in each group," said Gescheidle, "but now the members are ready to pull together beautifully."

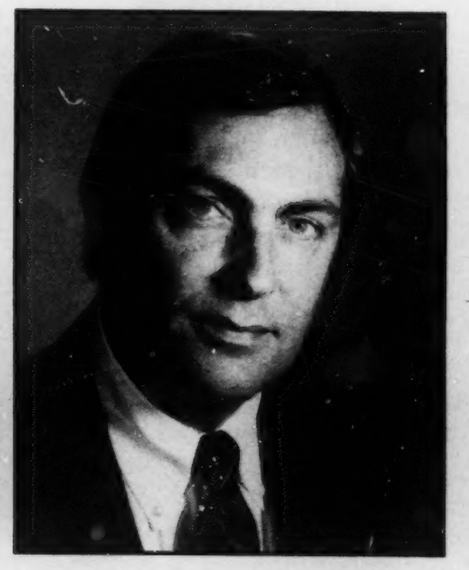
The merger culminates months of negotiations. Talley and Gescheidle began talking about such a deal at the annual Chain Operators Exchange conference of the International Foodservice Manufacturers Association in Miami Beach last February. They subsequently managed to put together all the pieces and obtain affirmative votes by Nov. 11 from almost all Nifda and North American shareholders.

COMSOURCE™
Independent Foodservice Companies, Inc.

Comsource Independent Foodservice Cos.' new logo.



Shannon Talley



Daniel Gescheidle

Chi-Chi's reviews Carlyle bid

(Continued from page 1)

volving 7-Eleven parent Southland Corp., cafeteria operator International King's Table, Taco Bell franchisee Calny Inc., and dinner house operator Restaurant Associates have been buffeted by turmoil in the financial markets.

"We're interested in the notion of building a larger company," said Carlyle managing director Stephen L. Norris. "We're hopeful to be able to acquire the company on a friendly basis."

Carlyle, the general partner of a limited partnership, has a blue-chip roster of managing directors, including two former Marriott Corp. financial vice presidents; Norris, a mergers and acquisitions specialist; and Daniel A. D'Aniello, who was chief financial officer of Marriott's in-flight feeding division.

Chi-Chi's executives responded in a statement that they were reviewing the $9-a-share offer and would consider it at the next regularly scheduled board meeting in early December. The offer expires Dec. 15.

Carlyle already owns about 7.5 percent of Chi-Chi's estimated 23 million outstanding shares.

The company let expire Carlyle's first offer of $7 a share in cash plus preferred stock and equity in the new company that would emerge after the buyout. Chi-Chi's board last month approved a poison-pill plan to deter hostile tender offers.

The price of Chi-Chi's shares, traded on the over-the-counter market, rose 63 cents on the day the $9 offer was announced, and it closed at $8.25. Its 52-week trading range has been $6.38 to $12.38.

In a related development, Standard & Poor's, the bond-rating agency, placed Chi-Chi's convertible subordinated debentures, worth about $50 million, on its "credit watch surveillance list," stating that the company's cash flow would be "severely strained" if Carlyle's offer were accepted."

Norris said Carlyle would use bank loans and equity financing for the buyout, not junk bonds.

Norris said Chi-Chi's "biggest problem" was keeping a turnaround on course. "There are steps they ought to take that are difficult to do when you are trying to maintain quarterly earnings," he said.

He said that Carlyle wanted Smith to remain at the helm of Chi-Chi's, adding, "We think he's probably as good as anybody in the industry today." Norris said he anticipated some "participation" by Chi-Chi's management in the proposed buyout.

Carlyle's long-range plan, according to Norris, is to "put together a multi-concept restaurant company with three legs at least—different concepts and different geographic locations."

"Hal Smith could spearhead that kind of drive," Norris said.

Smith has tightened cost controls and improved profit margins, noted Piper Jaffray & Hopwood analyst Richard Pyle.

For the first quarter, ended July 31, food and labor costs declined to 82.7 percent of sales, from 84.6 percent, while corporate overhead fell to 8.9 percent, from 9.5 percent.

Chi-Chi's net profit increased 35 percent in the quarter, to $3.8 million, on a 5-percent decrease in sales, to $69.8 million.

Same-store sales rose 1.7 percent in the July-ended quarter, said Steven M. Ashley of Blunt Ellis & Loewi in Milwaukee. The company operated 113 restaurants, 14 less than it did the year before.

Ashley said "a key to Chi-Chi's longer-term growth would be the successful development of new concepts." One new concept is the Chi-Chi's el Pronto fast-food unit in mall food courts. Others are a seafood restaurant and a bar and grill concept.

Other managing directors at Carlyle, which was formed in May, include David M. Rubenstein, who was President Carter's deputy domestic policy adviser; William E. Conway Jr.; and Greg A. Rosenbaum. Limited partners are T. Rowe Price Associates Inc., Alex. Brown & Sons Inc., First Interstate Equities Corp., and the Richard K. Mellon family.

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FOCUS | NRN

THE MANAGEMENT MERRY-GO-ROUND

Amid economic woes and a wave of mergers and acquisitions, companies use a myriad of resources to attract and retain food-service executives

By Don Jeffrey

Food-service companies are offering everything but the company car these days to attract and keep their most valuable and hard-to-find resource—good managers in the field.

But at the same time companies with shrinking profit margins have been forced to cut costs by consolidating or not filling vacant executive positions at headquarters.

Clifford Fill, president of Dixie Search Associates in Atlanta, sees no shortage of good restaurant executives in the marketplace. What he notices is a reluctance on the part of companies to hire them.

"There's a lot of belt-tightening," Fill says.

For example, he says a company that once had a director of real estate and a director of construction has combined the duties into one position, director of development.

The wave of mergers and acquisitions has also affected the movement of executives in the industry. When one company takes over another, it often finds too many executives. Some wind up looking for new jobs.

To those on the lower rungs of the management ladder, recruiters say, chains are giving better benefits as a way to prevent chronically high turnover. They include stock-option plans, bonuses for cost controls as well as for sales and profit increases, more flexible hours, better medical plans, and higher starting salaries.

These benefits are often called "golden handcuffs," a new business buzzword that connotes the anxiety some companies feel about losing their best men and women.

The company car, however, which was once an almost automatic perquisite for an area supervisor or director, is not part of the current benefits package, because it is considered income under the new tax law.

Salary increases overall have been fairly generous for a time of slow industry growth. For top corporate executives, increases have averaged about 10 percent, according to one recruiter.

Some recent starting salary offers mentioned by recruiters include chief executive of a regional chain, $125,000; operations vice presidents, $70,000 to $90,000; full-service unit managers, $28,000 to $40,000; executive chefs, $40,000 to $45,000; directors of chain operations, $40,000 to $65,000.

For unit managers the pay is lower, but it is rising at a rate that can exceed the percentage increase at the higher levels of management. The search for good managers, meanwhile, is fraught with frustration.

"I've never seen such a demand/supply imbalance [of managers] as in fast food," says Jacques Lapointe, president of Retail Recruiters International of Plainville, Mass.

Companies have upped the ante for new unit managers. Lapointe says a trainee can now earn $25,000 to $30,000 to start, a $3,000-to-$4,000 increase over the previous-year figure. Other recruiters put the starting pay at $32,000 or more.

But store managers are earning that extra money. Kerri Patterson, recruiter with Roth Young in New York, says manager burnout is a growing problem because of the shortage of hourly workers. Fewer hourlies mean supervisors work more hours and less efficiently.

Management turnover is greatest in company-owned stores—running about 120 percent, according to one estimate. At franchised stores it is much less—less than 50 percent, says one source—because the manager is likely to be working directly for the owner of the company and not just for another employee.

The caliber of store-manager candidates is often depressingly low. Lapointe recalls he recently recruited 17 people for supervisory jobs with a fast-food chain. Only four actually showed up for work.

Recruiters, in making their pitches to prospective managers, like to point out that the job does not require extensive education or experience. Chains "teach management in a very strong way," Lapointe says.

And the potential for ladder climbing exists: Assistant managers *do* rise to the chief executive's slot. Fred Turner, chairman of McDonald's, is one prominent example.

"It's a fairly good growth business for somebody who is willing to pay his dues," Lapointe says.

But restaurant chains have registered sluggish sales in recent years, so executives and new managers are understandably disillusioned when economists project slow overall economic growth in the United States in the next few years, following the stock-market crash.

Nevertheless, recruiters say that fast-trackers will continue to move up quickly. "On the firing line the hotshots can really go crazy," Lapointe says. "A troubled economy is good for them."

When executives and field managers do leave their jobs, they usually find work at other restaurant companies. The experience of restaurant management is not so transferrable to other industries as are some other business experiences, recruiters say.

But many chains are looking outside their own industry for personnel, especially to replace managers at the unit level. Supermarkets, retail outlets, and convenience stores are good breeding grounds for managers, recruiters believe, adding that those outsiders often bring fresh ideas and insights to restaurant management.

Some companies have found that they can pay less by hiring an executive from outside than by promoting someone from within whose raises over years of service have made him too high-priced.

Golden parachutes, the generous packages of salary and benefits awarded to managers of companies that may be acquired, for all the attention they receive, are still relatively rare in the restaurant industry. Lapointe estimates that only 0.5 percent of top executives have them. One example was Gerald Office, the former chairman of Ponderosa, who bailed out with a golden parachute worth an estimated $6 million after Asher Edelman took over the company.

For recruiters, the principal task is to "establish rapport with higher authorities [at a company], so you know exactly the kind of people they want," Lapointe says. "We have to find who the top 20-percent players are," he adds. "Good food people are busy doing their jobs."

To prevent chronically high turnover on the lower rungs of the management ladder, chains are offering benefits such as stock option plans, bonuses for cost controls, flexible hours, improved medical plans, and higher starting salaries.

BASIC COMPENSATION IN RESTAURANT INDUSTRY FOR 1987

Operations	Low*	Median* (thousands of dollars**)	High*
V.P./General Manager	40-48	58-80	80-94
Operations Director	38-43	48-66	66-85
Regional Manager	33-41	42-58	53-66
Manager (Fast Food)	19-21	24-29	31-37
Assistant (Fast Food)	16-18	19-23	24-28
Trainee (Fast Food)	14-17	16-18	18-19
Manager (Midscale)	18-23	24-29	32-42
Assistant (Midscale)	15-17	15-21	21-23
Trainee (Midscale)	13-16	15-17	17-18
General Manager (Full Service)	21-24	31-42	38-48
Assistant (Full Service)	16-19	20-23	27-30
Trainee (Full Service)	14-16	17-19	20-23
Chef	24-30	31-38	39-53
Sous Chef	20-24	25-30	31-37
Garde Manger	17-22	21-23	24-27
Cook	13-15	17-19	20-24
Pastry Chef	20-23	24-28	29-36
Banquet Manager	26-27	29-33	34-43
Multi-Unit Manager (5-10 units)	22-26	26-33	33-40
Administrative			
Marketing Director (Chain)	40-47	53-71	73-90
Controller (Chain)	38-43	45-62	55-79
Personnel Director	22-33	37-42	42-57
Training Manager	22-29	30-38	38-48
Controller (Single Unit)	21-24	26-32	40-54
Purchasing Director	21-27	27-34	38-49
Real Estate Selection	24-27	31-38	40-47
Construction Manager	26-31	34-41	42-53
Facility Design	19-23	22-27	28-35
Advertising Manager	26-31	35-42	42-56

* Different ranges reflect size of companies and regions of U.S.
** Salary figures do not include bonuses or benefits

Source: Roth Young 1987 Wage and Salary Review

FINANCIAL NEWS

Economists scale down projections for GNP growth in '88 after crash

NEW YORK — Stunned by the stock market crash, the nation's top economic forecasters are now slashing their predictions for 1988.

Whereas once they predicted the economy would improve slightly next year, now they are forecasting a marked slowdown from this year's expected 2.6-percent growth rate.

According to the Blue Chip Consensus of economic forecasters, the real Gross National Product will increase by a worrisome 1.9 percent in 1988.

Before the crash, the average growth rate projected by 49 polled economists was a more hearty 2.8 percent.

Blue Chip said the shift to 1.9 from 2.8 was the biggest monthly drop ever in the consensus projection.

The National Restaurant Association, the industry's principal trade organization, recently unveiled its own forecast for food-service establishments next year: a 2.9-percent gain in real sales, to $213.5 billion.

The NRA's increase, however, was based upon a projection of 2.8-percent real expansion in the overall economy.

Only four economists polled by Blue Chip predicted a recession next year. The most pessimistic was John K. Langum, president of Business Economics Inc. in Chicago and publisher of The Langum Report on the American Economy.

"I think we're shaping up for a difficult year," he said. "It's a recession, not a depression. A far cry from '29 or '33. But these happy years we've had are over."

He foresaw an increase in unemployment, to 7.5 percent, and decreases in consumers' disposable income and confidence—factors that could directly hurt the restaurant industry.

Langum said the recession would be caused by widening national, corporate, and consumer debt.

But most other experts disagreed.

Robert McGee, economist with Irving Trust Co. in New York, predicted a 3.2-percent growth rate for the U.S. economy in 1988, unchanged since the crash.

He predicted slower consumer spending but said that it would be more than balanced by "a boom shaping up in the industrial sector."

As for the stock market collapse, McGee said, "Surveys of businesses show nobody's really changed plans. And there's no evidence consumers have changed plans."

He said that because most stock was owned by wealthy individuals, the market's plunge would primarily affect the sale of luxury goods. If that turned out to be true, it might mean reduced volume at high-ticket independent restaurants.

Unlike Langum, McGee and other optimistic forecasters said the employment situation would be bright next year. They pointed to October's increase in employment —the largest in years.

"As long as job growth holds up," McGee said, "there's no reason why restaurants shouldn't do well."

Inflation, however, will be worse than it has been in recent years, most economists agree. The falling value of the dollar has already made foreign goods more expensive for Americans. The Blue Chip consensus projected a 4.2-percent rise in the Consumer Price Index in 1988 and a 3.8-percent increase this year.

Brian Wesbury, economist with Harris Bank in Chicago, whose projection for the GNP was revised to 3.2 percent, from a bullish 4.4 percent in October, said the market crash and potentially higher taxes were the reasons for the lower estimate.

"The recent stock market collapse, because of its ties to the Depression and the feelings it generates, will slow the economy somewhat," Wesbury said.

But he speculated that consumer spending on services, such as restaurants, would not decline as much as would spending on durable goods, such as cars. "You don't want to make a large outlay when you're unsure about the economy," he said.

Two policies from Washington could bring on a recession next year, Wesbury believed: increased taxes and a protectionist trade bill.

Wesbury speculated that consumer spending on services, such as restaurants, would not decline as much as would spending on durable goods, such as cars.

SELECTED FORECASTS FOR U.S. ECONOMIC GROWTH IN 1988

Forecaster	Oct. projection (1988 real GNP annual percentage change)	Nov. projection
Bostian Research Associates	4.1	3.9
Prudential Insurance	4.3	3.3
Irving Trust	3.2	3.2
Harris Trust & Savings	4.4	3.2
Morgan Guaranty	2.9	2.6
Dean Witter Reynolds	3.0	2.3
Equitable Life Assurance	2.8	1.9
Bank of America	2.4	1.8
E. I. Du Pont	3.1	1.4
Merrill Lynch Economics	2.5	1.4
Conference Board	2.1	1.3
Arthur D. Little	−0.6	−1.5
Business Economics Inc.	−2.0	−2.0

Source: Blue Chip Economic Indicators

NRN FINANCIAL DIGEST

Steve's closes Swensen's deal

NEW YORK — Steve's Homemade Ice Cream Inc. said it had completed the acquisition of a controlling interest in Swensen's Inc. for an undisclosed price.

The merger calls for each Swensen's stockholder to receive two shares of Steve's common stock and one five-year warrant to purchase one share of Steve's stock at $6 a share for every six shares of Swensen's stock.

For the third quarter, ended Oct. 3, Steve's reported net profit had climbed 28 percent, to $388,694, on a 20-percent rise in revenue, to $5.6 million.

Restaurant Assoc. LBO financing set

NEW YORK — Executives of Restaurant Associates, who proposed to take the company private in a leveraged buyout, said they had obtained commitments from seven financial institutions for $53.5 million worth of subordinated debentures to complete the deal.

The buyout group had extended to Nov. 20 its tender offer to purchase all shares it did not already own at $14.25 each.

Anwar Soliman, a California chain restaurateur, had withdrawn his $17-a-share bid.

Taco Villa scores 3rd straight profit

DALLAS — Taco Villa Inc. scored its third consecutive profitable quarter, with net income of $737,000 in the third quarter, ended Sept. 30, compared with a loss of $811,000 last year.

Revenue declined 7 percent, to $20.2 million, because of the sale or closing of some restaurants.

During the quarter the company agreed to sell its Applebee's restaurant and bar concept to a franchisee for about $20.5 million.

Winners reports deeper loss

BRENTWOOD, Tenn. — Winners Corp. said that its third-quarter loss had widened to more than $3.5 million, from $567,000 last year. Revenue was slightly lower, at $29.3 million.

The latest loss included a $2.9 million charge for the disposition of restaurants. Some of the money from the sale of units was used to pay debt, the company said.

Le Peep cuts deficit by 36 percent

DENVER — Le Peep Restaurants Inc. said it had reduced its loss in the third quarter, ended Sept. 30, to $944,104, from $1.48 million in the same period last year. Revenue climbed 55 percent, to $3.6 million.

Chief executive Allen Bernstein said he anticipated "increasing benefits from our recently announced staff, overhead, and operating expense reductions."

Four new franchised units were opened during the quarter. Eight units are under construction.

National Pizza to buy back more stock

PITTSBURG, Kan. — National Pizza Co., the Pizza Hut franchisee that recently completed the proposed repurchase of 500,000 shares of its stock, reported that it planned to buy back an additional 200,000 shares on the open market.

These 200,000 shares, representing about 2 percent of the total outstanding, would be held as treasury stock.

Shares were priced recently at $9.25, down from a 52-week high of $18.75.

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